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SUBJECT: KUWAIT HOSTS FOURTH WORLD ISLAMIC ECONOMIC FORUM

11. Summary: From April 29 to May 1, Kuwait hosted the Fourth World Islamic Economic Forum (WIEF). The event was opened by the Amir of Kuwait and was attended by representatives from most of the member states of the Organization of the Islamic Conference including the heads of state of Jordan, Afghanistan, Senegal, and Bosnia. Senior representatives from the Arab League, the GCC Secretariat, the Arab Fund, and the Islamic Development Bank also participated. The principal topics were economic reform, energy, economic cooperation, poverty reduction, education, and the role of the private sector in development. Breakout sessions also covered Small-and-Medium Enterprises, Telecommunications, Infrastructure, Education, Tourism, Logistics, Entrepreneurship, and Women in Business. During question and answer sessions, a number of participants lamented that these fora generally produced lots of positive rhetoric but little in the way of concrete action and follow-up. Several participants suggested that a WIEF Secretariat be established to track and report on the implementation of the proposals and pledges made by participants. In his keynote address, the Amir announced that Kuwait was donating USD 100 million for the establishment of a "Fund for Good Living in Muslim Countries" intended to provide basic food staples for the Muslim consumers most affected by rising food prices. The next WIEF will be held in Jakarta in February 2009. End Summary.

Opening Remarks by Kuwaiti Amir, Foreign Leaders

12. In his opening remarks, the Amir of Kuwait Shaykh Sabah Al-Ahmad Al-Jaber Al Sabah highlighted the growing global food crisis and proposed the establishment of a "Fund for Good Living in Muslim Countries" intended to provide basic food staples to countries in dire need and contribute to development of the agricultural sector. He announced that Kuwait would donate 100 million USD to this fund and called on countries, and regional and international organizations to support this effort. He also urged the Islamic countries to work together towards raising cross-border investment, removing customs barriers, improving infrastructure, increasing efficiency of transportation and communications, and building a private sector able to lead economic growth in Muslim countries.

13. King Abdullah of Jordan spoke of the need for the Organization of the Islamic Conference (OIC) to create an economic community that can withstand global financial and energy shocks and other global challenges. He bemoaned the meager GDP figures posted by the OIC even in this time of record-high energy prices. King Abdullah pointed out that the combined OIC GDP is only one-fourth that of Europe and less than the GDP of France. Development in the OIC remains incomplete and uneven, he argued, and stressed the importance of immediate action to improve education and training

standards in the OIC. Arab graduates are leaving the Arab world in large numbers, and more than half of those that are educated overseas do not return, King Abdullah added. This is creating a shortage of skilled professionals with local cultural and national expertise, he stressed, and the OIC needs to address this gap in technical education.

¶4. Other speakers, including FM Wade of Senegal (the current OIC President), President Silajdzic of Bosnia and Saudi businessman Prince Waleed bin Talal, praised the Kuwaiti initiative to alleviate poverty in the Islamic World and vowed their support to the Fund proposed by the Amir. President Hamid Karzai of Afghanistan highlighted recent progress made in Afghanistan and encouraged greater GCC and OIC involvement and investment in Afghanistan.

The Muslim World as a Burgeoning Market

¶5. This session focused on the changing role of the OIC in the global economy and the importance of economic cooperation among OIC members. Former British Prime Minister Tony Blair encouraged the Islamic countries to open up their economies and invest in human capital. He highlighted the need for reform in the public sector and called on the Arab states to invest their vast wealth strategically for the future. He also stressed the need for rejecting extremism and intolerance that serve as obstacles to economic development and open economies.

¶6. Former Kuwaiti Finance Minister Bader Al-Humaidhi said

KUWAIT 00000589 002 OF 004

that most Muslim economies still focused on commodities rather than value-added production and services. The only exception to this is the growth of the financial services sector, especially in the Gulf, and especially in Islamic banking and finance, he argued. The problem is not lack of resources but lack of conviction, leadership, and coordination, he stressed.

¶7. Toyoo Gyoten, President of Japan's Institute for International Monetary Affairs, pointed out that the two economic pillars of the Islamic world are the Gulf and East Asia. He highlighted the natural symbiotic relationship that can be cultivated between the Gulf states and East Asian Islamic economies. Gulf countries can provide the capital and East Asian economies can provide the labor and technology for a coordinated and mutually beneficial economic development framework.

The Future of Energy in a Changing World

¶8. This panel discussion focused on the changing landscape of the energy sector. Speakers emphasized environmental challenges and need for further investment in new energy technologies, including both alternative energy and new technology for the development of traditional fossil fuel resources. Nader Al-Sultan, former CEO of Kuwait Petroleum Corporation, argued that environmental concerns have become a critical concern that must be factored into all major decisions on energy investment and energy policy. He added that although energy consumption is at an all-time high, further poverty reduction and growth in developing countries will lead to a further rise in energy consumption in the coming years. Surging energy demand and concerns over supply insecurity, combined with the rising cost of investment, is driving up energy prices globally. He suggested that the notion of energy independence espoused by some consuming nations is just as troublesome and short-sighted as the growing phenomenon of resource nationalism among producing nations. Energy independence is a fallacy. In fact, continued interdependence is both desirable and inevitable,

Sultan argued.

¶9. Mohammed Al-Olaim, Kuwait's Acting Minister of Oil reiterated Kuwait's commitment, made at the November 2007 OPEC summit, to invest 150 million USD for research in clean and environmentally friendly sources of energy. He added that Kuwait is committed to increased investment in research and development, especially in new energy technologies. Kuwait Petroleum Corporation (KPC) Managing Director for Planning Jamal Al-Nouri stated that KPC plans to invest 55 billion USD over the next five years to further develop Kuwait's oil sector with the goal of increasing oil production to four million barrels per day by 2020. He added that KPC and Kuwait were acutely aware of the need for security in energy supply. KPC is undertaking ambitious plans to contribute to the development of secure energy supplies worldwide.

Economic Cooperation between the GCC and the Muslim World

¶10. Experts in this session discussed the need for greater cooperation within the OIC, especially between the GCC and the rest of the Islamic world. Abdullah Bishara, former Secretary General of the GCC, gave a general overview of the GCC's role in fostering development in other Islamic countries. He explained that between 2005 and 2008, the Kuwait Fund, Saudi Arabia Fund and Abu Dhabi Fund have given significant sums in grants, soft loans and technical assistance to 47 Islamic countries around the world. He continued that as a result of swelling liquidity provided by high oil revenues, GCC private sectors are also diversifying their investments into real estate, tourism, banking and financial services, particularly in Asia and Africa.

¶11. Jassim Al-Mannai, the Director General of the Arab Monetary Fund highlighted the challenges faced by foreign workers, mostly from Islamic countries, in GCC countries. One of the most significant challenges is the difficulty faced by many of these workers in sending remittances to their home countries. Remittances, he argued, provide a influx of between 27 and 30 billion USD to countries in Asia and Africa. Due to the high cost of transferring these remittances, many workers are resorting to dangerous and illegal means transferring funds, he added. He encouraged

KUWAIT 00000589 003 OF 004

governments in the Islamic world to cooperate to make remittances easier and cheaper.

The Role of Investment in Poverty Reduction

¶12. Discussion in this session focused mainly on the ongoing global food crisis and the impact of the US housing crisis on the global economy. Shaykh Dr. Mohammed Al-Sabah, Kuwaiti Minister of Foreign Affairs highlighted the need to alleviate poverty and starvation, especially in Africa and Asia. He referred to UN Secretary General Ban Ki Moon's call for donations from rich countries towards UN poverty alleviation funds. Dr. Amado Cisse, Vice President of the Islamic Development Bank, highlighted the progress made in relatively small economies like Thailand, Malaysia and Vietnam. He argued that the success of these economies shows that sustained private sector-led growth supported by an attractive investment climate is "a tried and true way out of poverty."

¶13. Meanwhile, Director General of the Arab Fund for Economic and Social Development Abdulatif Al-Hamad referred to the rising cost of living in Islamic countries due to the global food crisis. He stated, however, that the Arab World was far better off, in terms of poverty, than much of the rest of the world. In his closing remarks he urged Islamic

countries, especially the GCC countries, to find effective ways to ensure that development strategies and investment policies contribute to human development, social progress, and poverty eradication.

Education and Development in the Islamic World

¶14. This panel focused mainly on the need for reform in Arab education systems. Kuwaiti Education Minister Dr. Nouriya Al-Sabih mentioned that Kuwait is investing 1.5 billion Kuwaiti Dinars (KD) or 5.8 billion USD in facilities, technology development and teacher training. Kuwait has hired a British company to develop new math and English curricula for Kuwaiti schools, she added. Dr. Hasan Al-Ebraheem of the Kuwaiti Society for the Advancement of Arab Children spoke about three general areas of focus: sustainable development; promotion of peace, human rights, and democracy; and educational standards and teacher qualifications. Combating computer illiteracy should also be a priority in Arab countries, he suggested.

¶15. Dr. Farhan Nizami of the Oxford Center for Islamic Studies commented on the need for a collaborative effort in the Islamic World to develop a coordinated mechanism to fund educational research in these countries. The Islamic world is falling behind in educational and scientific research, she stressed. Dr. Abdel Osman of UNESCO pointed to the vast disparities in income, average age and education standards in Islamic countries. He added that the only commonality between these countries was the tremendous need for more investment in education and literacy programs.

The Private Sector Role in Development

¶16. This session focused on the predominance of the public sector in most Islamic countries, especially in Arab countries. In most Arab countries, Tarek Sultan of Agility Logistics claimed, the public sector is the primary facilitator of economic development. The private sector is relegated to specific, narrow segments of the economy mainly because Arabs trust their governments more than the private sector. Tunisian Finance Minister Mohammed Kashesh explained the critical role that the private sector is starting to play in the Tunisian economy. He said the main area where the private sector can play a key role is in training and development. The Tunisian economy is growing due to private sector entrepreneurship and innovation, but the government needs to facilitate such enterprises through progressive laws and regulations, he added.

¶17. Olive Kigongo of the Uganda Chamber of Commerce highlighted the important role of the private sector in Uganda. Public-private partnerships in economic development are crucial to development in Uganda and in other Islamic countries, she stressed. Ian Buchanan of Booz Allen Hamilton used development in Singapore as a case study for private

KUWAIT 00000589 004 OF 004

sector development. He noted that Singapore's rapid development had resulted from the proactive vision of the government to develop Singapore's economy through reforms and incentives for private sector innovation. Singapore reacted to the world economy and to its own comparative advantages by inviting private sector investment not just in large projects and services, but also in the development of human capital. The government provided tax credits and incentives to foreign corporations to invest in adult continuing education, especially in technical and professional areas. Indonesia, Malaysia and other Islamic countries are starting to follow a similar pattern, he added.

Concluding Remarks by Indonesian President Yudhoyono

¶18. President Yudhoyono emphasized the need for solidarity within the Islamic world and for more economic cooperation between the GCC and the East Asian Islamic States. He spoke of the important role of Indonesia as the largest Islamic country. He stressed that development in Indonesia is a sign that Islamic countries all over the world can develop and advance, not just in the Middle East. He urged the Arab countries to look to East Asian Islamic states to pursue opportunities for investment and trade. Countries like Malaysia and Indonesia have a lot to offer to the Arab World, he said, in investment opportunities, food and agricultural products, and human resources. He added that the rise in popularity of Halal food products would contribute greatly to the growth of the Indonesian economy over the next few years.

¶19. The President also encouraged the Arab countries to visit Indonesia to enjoy its hospitality and natural beauty. He announced that Indonesia will host the fifth World Islamic Economic Forum in Jakarta in February 2009. He stressed that Indonesia is eager to host the WIEF to showcase Indonesia's growing economy, its resources - both natural and human - and its beauty that has attracted large-scale tourism in recent years.

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